

Exhibit 23

Deposition of Robert H. Topel
(December 5, 2017)
(excerpted)

UNITED STATES DISTRICT COURT

DISTRICT OF NEVADA

CUNG LE; NATHAN QUARRY, JON)	
FITCH, on behalf of)	
themselves and all others)	
similarly situated,)	
)	
Plaintiffs,)	
)	
vs.)	Case No.
)	2:15-cv-01045-RFB-(PAL)
)	
ZUFFA, LLC, d/b/a Ultimate)	
Fighting Championship and)	
UFC,)	
)	
Defendant.)	
_____)	

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VIDEOTAPED DEPOSITION OF ROBERT TOPEL

Washington, D.C.

December 5, 2017

9:34 a.m.

REPORTED BY:
Tina Alfaro, RPR, CRR, RMR
Job No. 52568

ROBERT TOPEL - HIGHLY CONFIDENTIAL

<p style="text-align: right;">42</p> <p>1 Q. And in computing or determining the 2 marginal revenue product of either an NBA player or 3 a WNBA player, does it matter to you how the NBA 4 came to have a larger market than the WNBA? 5 MR. ISAACSON: Objection to form. 6 BY THE WITNESS: 7 A. For the -- could you read the beginning of 8 the sentence? 9 Q. Yes. In computing the marginal revenue 10 product or in determining the marginal revenue 11 product of an NBA player versus a WNBA player, does 12 it matter to you as an economist how it was that 13 the WNBA [sic] came to have a larger market than 14 the WNBA does? 15 A. I mean, for simply the purpose of you're 16 assuming that he could compute this. 17 MR. ISAACSON: You said WNBA having a 18 larger market than WNBA, which I don't think you 19 want. 20 MR. CRAMER: Correct. I'll stand 21 corrected. I'll ask it again. 22 BY MR. CRAMER: 23 Q. For the simple purpose of just determining 24 the marginal revenue product of an NBA player and a 25 WNBA player, does it matter to you how the NBA came</p>	<p style="text-align: right;">44</p> <p>1 A. If what you're asking is did I compute the 2 addition to revenues that would come from adding a 3 marginal fighter to the stock of fighters holding 4 constant everything else about the organization, 5 no, no one's done that in this case. 6 Q. Is it fair to say that the marginal 7 revenue product of MMA fighters as a whole is 8 roughly equivalent to the degree to which they 9 contribute to MMA event revenues? 10 MR. ISAACSON: Objection to form. 11 BY THE WITNESS: 12 A. I don't know what you mean by "as a 13 whole." 14 Q. Is it fair to say that the marginal 15 revenue product of MMA athletes or a MMA fighter, 16 put it that way -- 17 A. Let's do a MMA fighter. 18 Q. Okay. All right. Is it fair to say that 19 the marginal revenue product of a MMA fighter is 20 roughly equivalent to the degree to which he or she 21 contributes to event revenues? 22 A. Well, I mean -- 23 MR. ISAACSON: Objection to form. 24 BY THE WITNESS: 25 A. -- there's all sorts of revenue sources.</p>
<p style="text-align: right;">43</p> <p>1 to have a larger market than the WNBA? 2 MR. ISAACSON: Objection to form. 3 MR. CRAMER: You can answer. 4 A. Well, it can, but you've asked it in the 5 sense of if you were simply -- assuming I could do 6 this computation because marginal revenue product 7 is a concept, it's not something that I've -- 8 you've just got a spreadsheet, you can press a 9 button and get it. In certain context it would 10 matter, depends on what you're analyzing, and in 11 certain context it wouldn't. But if all you wanted 12 to know is what's the marginal revenue product of 13 LeBron James if -- when he's added to the roster 14 of -- I'll change teams -- Oklahoma City, then as 15 opposed to -- and I can't remember the names of any 16 WNBA athletes and maybe that's your point -- when I 17 move one of those players from one franchise to 18 another what's the marginal revenue product, 19 conceptually I don't need to know what caused it. 20 But then it has different -- what caused it has 21 different implications for the form of contracts 22 and all sorts of things. 23 Q. It's fair to say that in this case you 24 made no effort to compute the marginal revenue 25 product of any MMA fighters, correct?</p>	<p style="text-align: right;">45</p> <p>1 The way I described it a minute ago -- and I'm 2 going to prefer my definition to yours -- is that 3 the marginal revenue product of an individual is 4 the addition to the organization's revenues from 5 all sources when that individual is added to the 6 labor force of the organization holding constant 7 everything else that the organization does to 8 generate revenue. 9 Q. And you made no effort in this case to 10 compute again the marginal revenue product of any 11 MMA athlete, correct? 12 MR. ISAACSON: Asked and answered. 13 BY THE WITNESS: 14 A. I don't think anybody in this case has -- 15 has done that. The marginal revenue product is a 16 concept. 17 Q. Have you made an effort to estimate in any 18 way the marginal revenue product of MMA fighters in 19 your work in this case? 20 A. As a -- as a measure of what they add to 21 revenues, no one's done that, but to the extent -- 22 if the market was competitive, then the marginal 23 revenue product would be equal to what they get 24 paid. 25 Q. So --</p>

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<p style="text-align: right;">46</p> <p>1 A. It comes back to a sentence you asked me 2 about -- about 45 minutes ago. So I'm just 3 restating the obvious.</p> <p>4 Q. So if the market's competitive, the 5 athlete will get paid equal to his marginal revenue 6 product; and if there's monopsony power in the 7 market, the athlete will get paid below his 8 marginal revenue product, correct?</p> <p>9 A. Yeah. All athletes, not just Zuffa 10 athletes.</p> <p>11 Q. And are you assuming for your work in this 12 case that the MMA market is competitive?</p> <p>13 A. I don't know whether it's perfectly 14 competitive, but it's -- it's highly competitive.</p> <p>15 Q. Is that an assumption of yours or a 16 finding of yours?</p> <p>17 A. It's a finding because other people are 18 competing for athletes and Zuffa has to compete for 19 athletes.</p> <p>20 MR. CRAMER: The court reporter would like 21 us to take a break and she's in charge.</p> <p>22 THE VIDEOGRAPHER: Going off the record at 23 10:31.</p> <p>24 (A short break was had.)</p> <p>25 THE VIDEOGRAPHER: We are going back on</p>	<p style="text-align: right;">48</p> <p>1 increased the amount of revenues generated by UFC 2 fighters at each Zuffa event, right?</p> <p>3 A. It -- it increased the revenue that 4 generated by fighters.</p> <p>5 MR. ISAACSON: Object to form.</p> <p>6 BY THE WITNESS:</p> <p>7 A. It's too vague.</p> <p>8 Q. Okay. I will -- I will restate the 9 question. The growth in revenues that flowed in 10 part from the growth in viewership during this 11 period also was a reflection of the increased 12 marginal revenue product of UFC fighters, 13 correct?</p> <p>14 MR. ISAACSON: Objection to form.</p> <p>15 BY THE WITNESS:</p> <p>16 A. I think I understand what you're saying. 17 I'm going to agree with it, but I'm not quite sure 18 what you're saying, but go ahead.</p> <p>19 Q. Okay. I don't want -- I don't want you 20 not to be sure. I don't think Mr. Isaacson wants 21 you not to be sure either. So let me ask it a 22 different way. Is it fair to say that the 23 increased fighter marginal revenue product would be 24 correlated with the growth in UFC event revenues 25 over this period?</p>
<p style="text-align: right;">47</p> <p>1 the record at 10:43. This begins disk No. 2. 2 BY MR. CRAMER:</p> <p>3 Q. The court reporter has told me that we 4 have a tendency to talk over each other. So let's 5 really both do our best to try and stop doing that. 6 I will try to do my part.</p> <p>7 All right. Turn to paragraph 32, please. 8 The bottom of page 12, the last sentence begins 9 [REDACTED] 10 [REDACTED] 11 [REDACTED] 12 [REDACTED] 13 [REDACTED] 14 [REDACTED] 15 [REDACTED] 16 [REDACTED] 17 [REDACTED] 18 [REDACTED] 19 [REDACTED]</p> <p>20 Q. Okay. And you would agree that the growth 21 in viewership has increased the amount of revenue 22 that Zuffa generates from the average UFC event, 23 correct?</p> <p>24 A. Yes.</p> <p>25 Q. And this growth in revenues has also</p>	<p style="text-align: right;">49</p> <p>1 MR. ISAACSON: Objection to form.</p> <p>2 BY THE WITNESS:</p> <p>3 A. Well, not necessarily. It depends on 4 what -- to what the increase in event revenues is 5 attributable.</p> <p>6 Q. Is it your opinion that fighter marginal 7 revenue product at the UFC did not increase from 8 2009 to 2016?</p> <p>9 A. No, that's not what I said.</p> <p>10 Q. So you do --</p> <p>11 A. But the mere fact -- sorry if we talked 12 over each other, but I think I'm completing a 13 thought. The mere fact that more people watched 14 doesn't mean that the marginal revenue product of 15 any particular input has -- has increased.</p> <p>16 Q. If we assume for purposes of this question 17 that the marginal revenue product of fighters has 18 indeed increased from 2009 -- strike that.</p> <p>19 Turn to paragraph 126, please. At the 20 beginning of paragraph 126 you say "To state the 21 obvious, an athlete's pay as a share of event 22 revenue can easily decline even if pay measured as 23 it should be in dollars per athlete is increasing. 24 This is especially likely if Zuffa's promotional 25 investments drive greater interest in its MMA</p>

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<p style="text-align: right;">50</p> <p>1 events so that Zuffa's revenues at each event 2 increased because the greater attendance -- because 3 of great attendance or viewership"; do you see 4 that? 5 A. Yes. 6 Q. So would you agree that in general the 7 share of UFC event revenues going to fighters did, 8 in fact, decline over time, say, from 2009 to 2016 9 even as fighter compensation measured in dollars 10 per fight increased? 11 A. I'm not sure it declined in every year, 12 but I think that -- I think the evidence is that 13 fighter compensation increased at a different rate, 14 a slightly lower rate -- or somewhat lower rate 15 than the increase in revenues so that the ratio 16 would be lower. 17 Q. So what is happening over time, in your 18 view, is that the UFC event revenue pie is 19 increasing while the UFC's share of event revenues 20 relative to the fighter's collective share is 21 increasing; is that fair? 22 MR. ISAACSON: Objection to form. 23 BY THE WITNESS: 24 A. Well, I don't know that. You're defining 25 a pie. The ratio of fighter compensation to total</p>	<p style="text-align: right;">52</p> <p>1 Q. Is it your opinion that Zuffa's 2 promotional investments drive greater interest in 3 MMA events that that explanation is what's causing 4 fighter compensation to grow more slowly than event 5 revenues? 6 A. Well, that combined with the market 7 structure, yes. 8 Q. And what is that opinion -- putting the 9 market structure part aside for the moment, what is 10 that opinion based upon? 11 A. Well, I look at the -- these sort of 12 poster child for Zuffa investment is the ultimate 13 fighter television program that generated so much 14 interest and that grew interest in the -- in the 15 event, but advertising, choosing the right com- -- 16 finding the right athletes, choosing the right 17 combinations of athletes to compete against each 18 other, designing the sequence of fights that a 19 fighter's going to be in, those are all activities 20 that Zuffa engages in to -- as part of its business 21 model. 22 Q. Which one of those activities you just 23 described would enhance event revenues without also 24 enhancing fighter marginal revenue product, if any? 25 A. Well, any one of them actually could do</p>
<p style="text-align: right;">51</p> <p>1 event revenue in which they fight was on average 2 lower as those revenues increased. 3 Q. Okay. That's fair. In other words, the 4 UFC as a business is keeping a larger share of 5 event revenues for itself over time as event 6 revenues increase; is that fair? 7 MR. ISAACSON: Objection to form. 8 BY THE WITNESS: 9 A. No. 10 Q. In other words, the UFC is paying -- I'll 11 strike that. 12 And, in your view, the fact that UFC 13 fighter compensation is growing slower than UFC's 14 event revenues can be explained because Zuffa's 15 promotional investments drive greater interests in 16 MMA events? 17 A. That would happen if the last part of your 18 sentence is true. 19 Q. So one explanation, in your view -- one 20 possible explanation, in your view, for the fact 21 that growth in event revenues is outstripping 22 growth in fighter compensation is that Zuffa's 23 promotional investments drive greater interest in 24 MMA events; is that right? 25 A. That could make it happen, yes.</p>	<p style="text-align: right;">53</p> <p>1 that because the definition of marginal revenue 2 product is what this individual added to the stock 3 adds to my revenues holding everything else 4 constant. And so the television program could have 5 increased the event revenues without for any 6 particular fighter changing that fighter's marginal 7 revenue product, because the marginal revenue 8 product does not identify the particular event. I 9 mean, the firm's making a calculation of how much 10 it's going to sell and at what prices over time and 11 what all other investments it's going to make. And 12 so marginal revenue product is far removed from 13 simply the event revenue which a fight -- fighter 14 is fighting. 15 Q. Where in your report, if anywhere, do you 16 provide an analysis of those portions of Zuffa's 17 investments that do not contribute to fighter 18 marginal revenue product? 19 A. Are you -- I'm confused as to what you're 20 asking. Are you saying that certain inputs to the 21 process of producing Zuffa's product are 22 complementary with -- with the talents of athletes 23 so that if I advertise that raises the productivity 24 of an athlete, it's sort of what in technical 25 jargon it would be Q complements or something?</p>

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<p style="text-align: right;">54</p> <p>1 They're all com- -- they can all be complementary 2 if that's what you're asking, but I don't know.</p> <p>3 Q. So all of the investments that you have 4 discussed that have generated additional revenues 5 for Zuffa over time, event revenues for Zuffa over 6 time could well be complements to fighter talent, 7 correct?</p> <p>8 A. Any of the inputs used could be 9 complements to fighter talent.</p> <p>10 Q. And if those inputs used are complements 11 to fighter talent, then adding those inputs would 12 increase the marginal revenue product of the 13 fighter, all things equal, correct?</p> <p>14 A. Well, holding constant all the other 15 things that happen, it can shift marginal product. 16 Whether in equilibrium it changes marginal revenue 17 product at the quantity that's actually employed is 18 another question.</p> <p>19 Q. You do not in your report evaluate whether 20 any of the inputs that Zuffa has invested in over 21 time are complements to fighter talent or are not 22 complements to fighter talent, correct?</p> <p>23 A. Well, since the event revenues that are 24 being generated are higher and some of that's 25 attributable to the investments that Zuffa has</p>	<p style="text-align: right;">56</p> <p>1 that appendix example was a complementarity [sic] 2 between the investments made by Zuffa and the 3 effective amount of entertainment that's being 4 provided by a Zuffa athlete.</p> <p>5 Q. The example from the appendix was one in 6 which Zuffa's investments made its fighters better 7 at generating revenue when they fight, correct?</p> <p>8 A. Yes.</p> <p>9 Q. So that's an example of Zuffa's 10 investments enhancing the marginal revenue product 11 of its fighters, correct?</p> <p>12 A. Yes. Enhancing the product of its 13 fighters.</p> <p>14 Q. Do you have any examples of Zuffa's 15 investments that add to event revenues without 16 enhancing the revenue-generating power of their 17 fighters in your report?</p> <p>18 Well, let's be careful about what I just 19 said. In the appendix what happens is that the 20 number of units of entertainment or interest 21 generated by an athlete is increased by the 22 investments that Zuffa makes. Whereas in that 23 example the price per unit of interest was given 24 and the -- the point of that example was even if 25 there was no market power downstream in the output</p>
<p style="text-align: right;">55</p> <p>1 made, that shifted the demand for talent and even 2 in a perfectly competitive labor market that would 3 raise compensation. So in that sense we've -- 4 we've analyzed that complementarity.</p> <p>5 Q. So to the extent you've analyzed the 6 complementarity --</p> <p>7 A. And let me -- I'm sorry to speak over you, 8 but let me just finish the thought. You know, with 9 rising supply price at the industry label in a 10 perfectly competitive labor market it would 11 increase compensation.</p> <p>12 Q. To the extent you've analyzed in your 13 report whether Zuffa's inputs to the growth in 14 event revenues over time are or are not complements 15 to athlete talent, you have shown that the inputs 16 are indeed complements to athlete talent, correct?</p> <p>17 A. Complements in the sense of producing -- 18 you've got to define the units of output by which 19 then you're multiplying by marginal revenue to get 20 marginal revenue product, and the -- it can be 21 raising marginal revenue product by raising the 22 marginal revenue product -- marginal revenue 23 product, or it can be making them as I did in that 24 example you showed them in the appendix -- you 25 showed in the appendix making each individual. So</p>	<p style="text-align: right;">57</p> <p>1 market or upstream in the input market, you'd get 2 the kind of pattern that we're talking about. So 3 that's What I mean by Q complementarity, those 4 inputs raise the productivity of -- of an athlete. 5 It didn't necessarily change marginal revenue. 6 You're dancing around one with a -- a related 7 concept which is that the investments increase the 8 market's willingness to pay for the athlete for any 9 given amount of talent that the athlete has. 10 Zuffa's doing many complicated things that affect 11 both of those.</p> <p>12 Q. Where in your report do you evaluate that 13 latter concept?</p> <p>14 MR. ISAACSON: Objection to form.</p> <p>15 MR. CRAMER: By "latter concept" I mean 16 investments that increase the willingness to pay 17 for the athlete given the talent and revenue 18 generating power of that athlete.</p> <p>19 A. Well, I provide examples. The television 20 show did that, increased willingness to pay for 21 what those athletes bring to the party. Now, you 22 can view that as -- it's -- it's -- we're getting 23 down into the nuances of the models, that you can 24 view that as increase in the amount of 25 entertainment that they provide and entertainment</p>

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<p>58</p> <p>1 has a -- units of entertainment have a fixed price, 2 or you can say it increases the price per unit of 3 entertainment to -- it's -- I mean, you could model 4 it either way or you could re-think about it either 5 way. 6 Q. Did you model it one way or the other? 7 A. Well, in the back I did it for the 8 purposes of that example as it increased the number 9 of units of entertainment. You know, in the 10 report, you know, I think it would be easier to 11 think about it in terms of -- of -- like the 12 television show is increasing people's willingness 13 to pay to see athletes with a given amount of 14 talent. 15 Q. Let's switch topics slightly. Is it fair 16 to say that if all you knew about a firm was that 17 worker compensation increased over time that you 18 could not determine as an economist that the firm 19 was or was not exercising monopsony power? 20 A. You would need to know more. 21 Q. What more would you need to know? 22 A. I can't infer that -- a firm with 23 monopsony power, I mean, you view -- I think you've 24 alluded to this in questions over an hour ago. If 25 demand increase can move out along the average</p>	<p>60</p> <p>1 labor market go up -- goes up about 50 percent, but 2 the wages only go up about 10 percent. Could you 3 conclude from that that monopoly power -- monopsony 4 the power is being exercised over that period? 5 MR. ISAACSON: Objection to form. 6 BY THE WITNESS: 7 A. No. 8 Q. What more would you need to know? 9 A. Well, the outcome that you've described is 10 consistent with a competitive labor market. I 11 think you started by saying assume a perfectly 12 competitive labor market and then you switched in 13 the middle to the exercise of monopsony power, 14 which is -- 15 Q. Fair enough. 16 A. -- a total contradiction. So we can't -- 17 but the facts you describe are consistent with the 18 operation of a competitive labor market. 19 Q. So let me reask the question. Assume the 20 market is perfectly competitive at time T. Then 21 over some period of time you determine that the 22 marginal revenue product of the firm's workers goes 23 up about 50 percent and you also determine that the 24 wages only go up about 10 percent. Could you based 25 on those facts determine that monopsony power is</p>
<p>59</p> <p>1 factor cost curve and end up paying a higher 2 price. 3 Q. So one thing you would need to know is 4 whether or not demand had increased over time where 5 you saw worker compensation going up; is that fair? 6 A. No. That wouldn't provide the evidence of 7 monopsony power. 8 Q. What would you need to know in order to 9 know -- if you saw a firm whose worker compensation 10 was increasing over time, what would you need to 11 know in order to determine that that firm was 12 exercising monopsony power? 13 A. You'd need to know relative to some 14 but-for world that compensation would have been 15 even higher. So you'd need some kind of controlled 16 experiment about how a firm in similar 17 circumstances employed people and paid people or 18 maybe in some market in identifiably similar 19 circumstances where arguably the existence of that 20 market power you refer to did not exist or existed 21 at some lower level. 22 Q. Assume for this question that the market 23 is perfectly competitive. Over some period of time 24 you then determine that the marginal revenue 25 product of that firm's workers in a hypothetical</p>	<p>61</p> <p>1 being exercised? 2 A. Absolutely not. 3 Q. Why not? 4 A. Well, your premise was that the market was 5 perfectly competitive. In fact, this is -- this is 6 what the example in the appendix does. The 7 marginal revenue product of some firm increases. 8 Let's define perfectly competitive here as, you 9 know, perfectly elastic supply at the industry 10 level. Then wages aren't going to change. The 11 revenues of the firm that got this technological 12 advance that raised its demand for labor are going 13 to be higher. So the wage I pay each person didn't 14 change and revenues went up. That would happen in 15 perfect competition. 16 Q. Right. So in the example you just gave 17 the increased revenues resulted from some 18 technological advance? 19 A. Some investments, some -- something that 20 raised the marginal revenue product of labor in 21 this firm. They hired Dana White, hey, and he's a 22 like a tech -- he's a walking, talking 23 technological advance. I don't know. So he makes 24 demand for the output of this firm or the 25 productivity of the fighters, whatever, goes up.</p>

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<p style="text-align: right;">62</p> <p>1 Then revenues at this firm are going to rise, 2 they're going to sell more stuff, but the price 3 they have to pay for labor because you told me to 4 assume perfect competition and I took perfect 5 competition in your -- not just to mean the market 6 is perfectly competitive, but also that it's 7 perfectly competitive at a fixed wage. And that 8 will do it for the example, that's all I have to 9 prove. Wages didn't change and revenues went up, 10 period. 11 Q. So in that example because there's a 12 horizontal supply curve, the firm does not need to 13 increase its wages even though the marginal revenue 14 product of the workers rise because the outside 15 alternatives of the workers are -- is going to set 16 the compensation level; is that fair? 17 MR. ISAACSON: Objection to form. 18 BY THE WITNESS: 19 A. Fair's always a dangerous term, but the 20 marginal revenue product in any given level of 21 employment went up. Marginal revenue product at 22 the level of employment ultimately chosen didn't go 23 up. That's just an equilibrium concept. But yes, 24 this firm by assumption was taking the wage rate 25 that it had to pay as given and at the market level</p>	<p style="text-align: right;">64</p> <p>1 BY THE WITNESS: 2 A. I say it would be little changed. 3 Q. Okay. It would be little changed and that 4 your salary as a share of the revenues to the 5 University of Chicago would decline, correct? 6 A. Correct. 7 Q. And in your example, in your view, that 8 would say nothing about the exercise of monopsony 9 power; is that right? 10 A. Absolutely nothing. 11 Q. Now, your example says that the demand for 12 the University of Chicago education increased 13 sharply relative to other schools for some reason, 14 correct? 15 A. Yes. 16 Q. You don't -- you don't provide the reason, 17 correct? 18 A. Not in this paragraph, no. 19 Q. Okay. Let me give you a reason and then 20 we can talk about it. Let's say for this question 21 that you knew that the reason Chicago revenues 22 increased relative to other schools is that Chicago 23 hired all the superstar business professors from 24 the other top schools. Understood? 25 A. Well, you can assume that, but that's not</p>
<p style="text-align: right;">63</p> <p>1 that wage rate didn't change. So the ratio of the 2 wage to the revenues of the firm went down. 3 Q. And in order -- and -- and -- 4 A. So that's what competition does. 5 Q. Okay. 6 Turn to paragraph 130, please. In this 7 paragraph you provide an analogy to the University 8 of Chicago and professors; is that right? 9 A. Yes. 10 Q. And you posit a situation where demand for 11 the University of Chicago education increased 12 sharply relative to other schools allowing the 13 university to charge much higher tuition, right? 14 That's your example? 15 A. That sounds familiar. I'm not sure that 16 the exact words are mine, but keep going. 17 Q. Okay. And you also posit a situation in 18 that -- in that situation you say your salary would 19 still be determined by what it costs to attract and 20 retain faculty of comparable skill; is that right? 21 A. Yes. 22 Q. And you say that your salary would remain 23 unchanged, but that your salary as a share of 24 revenue would decline; is that right? 25 MR. ISAACSON: Not quite, but...</p>	<p style="text-align: right;">65</p> <p>1 what I'm assuming here. 2 Q. Okay. I'm changing the -- the 3 hypothetical. 4 A. Fine. 5 Q. Okay. In other words, it's the 6 administration's wise decision to recruit, hire, 7 and promote the superstar professors that caused 8 all of these increased revenues that you observed. 9 Got it? Is that fair? 10 MR. ISAACSON: Objection to form. 11 BY THE WITNESS: 12 A. We al- -- we already have all the 13 superstars. 14 Q. Okay. This is a hypothetical. 15 A. Okay. 16 MR. ISAACSON: I'm objecting to that term 17 in the hypothetical. 18 BY THE WITNESS: 19 A. Okay. Anyway, they're going to hire 20 really good professors from somewhere else. 21 Q. Right. They bring them in, they assemble 22 them, and it turns out that as a result of doing 23 that the revenues increased. Do you understand the 24 hypothetical? Yes? 25 A. Yes. It's not this hypothetical, but keep</p>

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<p style="text-align: right;">66</p> <p>1 going.</p> <p>2 Q. Okay. Is it fair to say that in that</p> <p>3 instance the collective marginal revenue product of</p> <p>4 this new stock of professors increased relative to</p> <p>5 the increase in revenues?</p> <p>6 MR. ISAACSON: Objection to form.</p> <p>7 MR. CRAMER: In my hypothetical.</p> <p>8 BY THE WITNESS:</p> <p>9 A. Depends on what we have to pay them. If</p> <p>10 we had to pay them what they were worth somewhere</p> <p>11 else but they were paid more than the average</p> <p>12 professor who we already have, then the ratio of</p> <p>13 the wages of those professors could either rise</p> <p>14 or -- well, they weren't there before. So the</p> <p>15 professors who are already there to whom we don't</p> <p>16 have to pay more because their outside</p> <p>17 opportunities haven't changed would still find that</p> <p>18 their salary divided by the university's revenue</p> <p>19 declines.</p> <p>20 Q. All right. I had a different question,</p> <p>21 though. We'll get there. All my question was was</p> <p>22 that the -- if you took the marginal revenue</p> <p>23 product of the collective group of new professors</p> <p>24 and you compared it to the marginal revenue product</p> <p>25 of the collective group of professors before you</p>	<p style="text-align: right;">68</p> <p>1 accident and monopoly power that is obtained or</p> <p>2 maintained through anticompetitive conduct"; do you</p> <p>3 see that?</p> <p>4 A. Yes.</p> <p>5 Q. Is the same true for monopsony -- I'm</p> <p>6 sorry. You said monopoly or monopsony power. Is</p> <p>7 the same -- could you rewrite that sentence --</p> <p>8 strike that.</p> <p>9 Could you rewrite that sentence and</p> <p>10 substitute monopoly -- monopsony power for monopoly</p> <p>11 power and it would be equally true?</p> <p>12 A. I believe so, yes.</p> <p>13 Q. So you could say "Antitrust economics</p> <p>14 distinguishes between benign monopsony power that</p> <p>15 is obtained through a superior product, business</p> <p>16 acumen, or historic accident and monopsony power</p> <p>17 that is obtained or maintained through</p> <p>18 anticompetitive conduct"; do you see that?</p> <p>19 A. Yes.</p> <p>20 Q. Or would that be fair?</p> <p>21 A. Yes.</p> <p>22 Q. Okay. Is your opinion in this case that</p> <p>23 Zuffa has monopsony power but that it was obtained</p> <p>24 legally or that it doesn't have monopsony power at</p> <p>25 all?</p>
<p style="text-align: right;">67</p> <p>1 brought in all the superstars, the marginal revenue</p> <p>2 product of the new professors would be higher than</p> <p>3 the marginal revenue product that -- of the old set</p> <p>4 of professors, correct?</p> <p>5 MR. ISAACSON: Objection to form.</p> <p>6 BY THE WITNESS:</p> <p>7 A. I think you've assumed your answer. If</p> <p>8 the new professors are more productive in some</p> <p>9 value sense than the old professors, so they either</p> <p>10 generate more revenue -- more tuition revenue or</p> <p>11 bigger grants or something like that, then adding</p> <p>12 one of them to the stock raises productivity --</p> <p>13 raises revenues by some amount and removing</p> <p>14 another -- one of the old professors from the stock</p> <p>15 decreases revenues by some amount; and I think</p> <p>16 you're just assuming that the former is bigger than</p> <p>17 the latter.</p> <p>18 Q. Yes.</p> <p>19 A. So I'm with you.</p> <p>20 Q. Okay.</p> <p>21 All right. I'm going to move on.</p> <p>22 Paragraph 38, please. In the second sentence you</p> <p>23 state "Antitrust economics distinguishes between</p> <p>24 benign monopoly power that is obtained through a</p> <p>25 superior product, business acumen, or historic</p>	<p style="text-align: right;">69</p> <p>1 A. I've -- I've seen no evidence of the</p> <p>2 exercise of monopsony power. So I have seen that</p> <p>3 Zuffa competed aggressively on the merits and has</p> <p>4 become a very successful enterprise. So I don't</p> <p>5 think you should read this paragraph of saying I'm</p> <p>6 acknowledging the existence of monopsony power.</p> <p>7 I'm saying that if such monopsony power existed,</p> <p>8 then one has to ask how it came about.</p> <p>9 Q. So your --</p> <p>10 A. And how it's -- and how it's maintained.</p> <p>11 Q. So your opinion in this case is that Zuffa</p> <p>12 does not have any monopsony power; is that right?</p> <p>13 A. You said -- we've been around on this. I</p> <p>14 told you that term is so dangerous because the --</p> <p>15 you know, any firm that has some degree of</p> <p>16 influence over the price at which it sells its</p> <p>17 product like the local Corner Bakery over here at</p> <p>18 the corner has some degree of power over the price</p> <p>19 at which it sells. I probably wouldn't conclude</p> <p>20 that it had market power, but it has some control</p> <p>21 over the price. So I'm not opining that Zuffa has</p> <p>22 no control over the price that it pays for -- for</p> <p>23 athletes or no control over the price that it</p> <p>24 charges for tickets, especially on the ticket side.</p> <p>25 You know, they have a pricing strategy whatever it</p>

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<p style="text-align: right;">70</p> <p>1 is. I haven't studied it.</p> <p>2 Q. So your opinion is is that Zuffa has some</p> <p>3 degree of monopsony power but that degree is small;</p> <p>4 is that fair?</p> <p>5 A. If they have a degree of monopsony power,</p> <p>6 there's been no evidence to indicate what it is or</p> <p>7 that they've -- the evidence does not indicate that</p> <p>8 they've exercised monopsony power in this market.</p> <p>9 Whether they have some monopsony power or not is --</p> <p>10 is another question. If they tried to hire a whole</p> <p>11 bunch more athletes would they have to pay a higher</p> <p>12 wage? Maybe.</p> <p>13 MR. CRAMER: I'm marking as Topel</p> <p>14 Exhibit 3 the next document. Oh, excuse me.</p> <p>15 THE WITNESS: Same guys.</p> <p>16 MR. CRAMER: Oh, yes, same guys.</p> <p>17 (Topel Exhibit 3 marked as</p> <p>18 requested.)</p> <p>19 BY MR. CRAMER:</p> <p>20 Q. So what you've been handed is Topel</p> <p>21 Exhibit 3. It's a different chapter from the</p> <p>22 Ehrenberg and Smith textbook that you cite in</p> <p>23 footnote 205; is that right?</p> <p>24 A. Is this the same footnote? Sorry. I</p> <p>25 don't need to turn --</p>	<p style="text-align: right;">72</p> <p>1 Q. Do you agree with that?</p> <p>2 A. Well, it depends on a lot of things that</p> <p>3 go on above that paragraph. I think I know what</p> <p>4 they have in mind. So if there are --</p> <p>5 Q. Well -- go ahead.</p> <p>6 A. If there are -- just the mere existence of</p> <p>7 mobility costs doesn't do it because -- I mean, if</p> <p>8 there were constant mobility costs then -- then</p> <p>9 there's kind of a wedge between here and there, so</p> <p>10 to speak, but if what they mean is rising mobility</p> <p>11 costs so that the more people I try to hire from</p> <p>12 elsewhere the marginal person has to incur greater</p> <p>13 mobility costs to get from there to me, me as</p> <p>14 hiring somebody, then that, at least in the short</p> <p>15 run, can -- would be sort of the -- the level of</p> <p>16 compensation that I have to pay at the margin to</p> <p>17 attract people.</p> <p>18 Q. So am I right that decreasing worker</p> <p>19 mobility, making worker mobility more difficult all</p> <p>20 things equal makes the labor supply curve steeper?</p> <p>21 A. Decreasing labor mobility.</p> <p>22 MR. ISAACSON: Objection to form.</p> <p>23 BY MR. CRAMER:</p> <p>24 Q. Doing something to make it more difficult</p> <p>25 for one worker to move from one firm to another,</p>
<p style="text-align: right;">71</p> <p>1 Q. Yes.</p> <p>2 A. Okay. Go ahead.</p> <p>3 Q. And this is chapter 5 of the Ehrenberg</p> <p>4 text "Modern Labor Economics" and the chapter's</p> <p>5 entitled "Frictions in the Labor Market"; do you</p> <p>6 see that?</p> <p>7 A. Yes.</p> <p>8 Q. Okay. Please turn to -- before I ask you</p> <p>9 to turn -- I'm sorry. Turn to page 131. All</p> <p>10 right. I'd like you to look at the second full</p> <p>11 paragraph, first sentence on page 131 beginning</p> <p>12 with "Thus"; do you see that? It says --</p> <p>13 A. Oh, we're above the monopsonistic page.</p> <p>14 Okay.</p> <p>15 Q. Correct.</p> <p>16 A. "Thus the higher worker's mobility."</p> <p>17 Q. Yes.</p> <p>18 A. Okay.</p> <p>19 Q. I'll read it to you. It says "Thus, the</p> <p>20 higher worker's mobility costs are the steeper the</p> <p>21 labor supply curve facing a firm will tend to be.</p> <p>22 Conversely as mobility costs fall other things</p> <p>23 equal, the labor supply curve to firms will flatten</p> <p>24 and become more elastic"; do you see that?</p> <p>25 A. Yes.</p>	<p style="text-align: right;">73</p> <p>1 raising the costs of a worker moving from one firm</p> <p>2 to another, that's what I mean.</p> <p>3 A. Then it just raises the cost of a</p> <p>4 worker --</p> <p>5 MR. ISAACSON: Objection to form.</p> <p>6 THE WITNESS: Tina's getting frustrated</p> <p>7 because we're all talking at once. So let's let</p> <p>8 her catch up. Are you caught up? Okay.</p> <p>9 BY THE WITNESS:</p> <p>10 A. This sentence here refers to mobility</p> <p>11 costs and it could be the mobility costs of going</p> <p>12 from A to B or from B to A; and if it's from B to A</p> <p>13 and I'm A, then I have to compensate people at the</p> <p>14 margin for that mobility cost to get them to come</p> <p>15 work for me. So I have to pay a higher wage than</p> <p>16 if that wasn't there. And if we're talking about</p> <p>17 going from B to A, then I can pay less than what</p> <p>18 the other guys pay because the worker has to take</p> <p>19 into account the mobility costs of going from A to</p> <p>20 B.</p> <p>21 Q. So if firm A raises the costs somehow of</p> <p>22 moving from firm A to firm B, firm A can pay the</p> <p>23 worker less than if he hadn't raised the cost of</p> <p>24 mobility, right?</p> <p>25 MR. ISAACSON: Objection to form.</p>

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<p style="text-align: right;">74</p> <p>1 BY THE WITNESS:</p> <p>2 A. Can pay the worker less than firm B.</p> <p>3 That's not what we see in this case, but that's</p> <p>4 true.</p> <p>5 Q. By "this case" you mean the Zuffa case?</p> <p>6 A. Yes.</p> <p>7 Q. Okay. Let's still talk about the -- about</p> <p>8 the hypothetical. It's fair to say that, all</p> <p>9 things equal, if a firm is able to make it more</p> <p>10 difficult and expensive for its workers to move</p> <p>11 from its firm to another firm, the lower it is able</p> <p>12 to pay its workers; is that right?</p> <p>13 A. No.</p> <p>14 Q. Why is that wrong?</p> <p>15 A. Well, the -- I mean, we're -- you're</p> <p>16 sneaking up on the rules and -- and contract stuff,</p> <p>17 and to the extent that those rules make investments</p> <p>18 more valuable and allow the firm in question to</p> <p>19 collect on the returns on its investment, those</p> <p>20 rules can and generally will increase the amount</p> <p>21 that workers pay. I mean, if there were zero</p> <p>22 mobility costs ex post and no restrictions on</p> <p>23 going, then I -- I as firm A, I'm not investing in</p> <p>24 these people because it raises their general</p> <p>25 productivity. It's like I don't want to train -- I</p>	<p style="text-align: right;">76</p> <p>1 new entrants could expropriate existing Zuffa</p> <p>2 investments in athletes"; do you see that?</p> <p>3 A. Yes, I do.</p> <p>4 Q. Could you explain the mechanism by which</p> <p>5 eliminating challenged contractual provisions could</p> <p>6 promote entry by competing promoters?</p> <p>7 A. Sure. Zuffa has invested in its athletes,</p> <p>8 in their personas, in matching them with the right</p> <p>9 opponents, and so on, things we've discussed</p> <p>10 elsewhere. Those are costly investments by Zuffa.</p> <p>11 The challenged contract provisions partially</p> <p>12 protect the returns on those investments. So it</p> <p>13 makes it worthwhile for Zuffa to makes those</p> <p>14 investments in the first place.</p> <p>15 Now, after the investments are made if</p> <p>16 suddenly you change the rules and say, oh no, all</p> <p>17 of these restrictions on, you know, right of first</p> <p>18 refusal, champion's clause, the whole thing are out</p> <p>19 the window and now you've got these athletes that</p> <p>20 Zuffa made valuable, raised their productivity. If</p> <p>21 they can just leave because somebody else -- this</p> <p>22 is the plumber example I just gave you -- then they</p> <p>23 can go somewhere else. So there would be a</p> <p>24 transfer of wealth from Zuffa to the athletes, but</p> <p>25 in equilibrium it's not going to last long because</p>
<p style="text-align: right;">75</p> <p>1 don't want to train -- incur the cost of training</p> <p>2 plumbers for my firm because I make them into good</p> <p>3 plumbers and they go work somewhere else for the</p> <p>4 marginal product that I generated.</p> <p>5 Q. All right. Well, I -- I'll move on.</p> <p>6 Turn to paragraph 200 and in particular</p> <p>7 I'd like to focus your attention on a part of</p> <p>8 paragraph 200 that is on page 88. The second</p> <p>9 sentence -- or the first full sentence on the page</p> <p>10 says "In particular the restrictions on athlete</p> <p>11 mobility address potential market failures due to</p> <p>12 transaction costs and the free rider problem"; do</p> <p>13 you see that?</p> <p>14 A. Yes, I do.</p> <p>15 Q. And by "restrictions on athlete mobility"</p> <p>16 in this sentence you're referring to the</p> <p>17 contractual provisions that Plaintiffs are</p> <p>18 challenging in this case, correct?</p> <p>19 A. Generally speaking, yes.</p> <p>20 Q. How is it that the -- strike that.</p> <p>21 Turn to paragraph 68, please. In</p> <p>22 paragraph 68 you opine in the first sentence "It</p> <p>23 may be true that eliminating the challenged</p> <p>24 contract provisions could promote entry by</p> <p>25 competing promoters, at least temporarily, because</p>	<p style="text-align: right;">77</p> <p>1 now that everybody can just up and leave nobody's</p> <p>2 going to invest. That's what the paragraph is</p> <p>3 saying.</p> <p>4 Q. Okay. So you're postulating a change from</p> <p>5 the current world to a world where none of the</p> <p>6 challenged contractual provisions exist, is that</p> <p>7 right, in this paragraph?</p> <p>8 A. Yes. And it's -- it's not just a change</p> <p>9 of two hypotheticals like what if it had been this</p> <p>10 way forever on one planet and the other way forever</p> <p>11 on the other planet. It's in the middle of the</p> <p>12 existence of this you say no, all the contracts you</p> <p>13 wrote are out the window.</p> <p>14 Q. Okay. And in that instance with the</p> <p>15 challenge provisions out of the way, other MMA</p> <p>16 promoters could immediately retain Zuffa's</p> <p>17 athletes, right, if they wanted to?</p> <p>18 A. Well, they could as long as they're</p> <p>19 willing to pay up to the value that's been created</p> <p>20 by Zuffa. Some of that value's going to be Zuffa</p> <p>21 specific, but not all of it.</p> <p>22 Q. So, in your view, because Zuffa has</p> <p>23 invested in promoting these athletes they as a</p> <p>24 group are more valuable, all things equal, to a</p> <p>25 rival promoter than unranked fighters sitting in an</p>

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<p style="text-align: right;">78</p> <p>1 MMA gym somewhere; is that right?</p> <p>2 A. I think what you said is right, yeah.</p> <p>3 Q. And what it means to be more valuable in</p> <p>4 this context is that these fighters are capable of</p> <p>5 bringing in more revenues when they fight, correct?</p> <p>6 A. Yeah. The identification process and so</p> <p>7 on raises their interest, the public's interest in</p> <p>8 these particular fighters. Some of that return, as</p> <p>9 I said, was Zuffa specific, some of it's totally</p> <p>10 general like the plumbers.</p> <p>11 Q. And in this instance where you had the</p> <p>12 challenged provisions and then they're gone, a new</p> <p>13 or another MMA promotion could, in your words,</p> <p>14 expropriate existing Zuffa investments in its</p> <p>15 athletes; is that right?</p> <p>16 A. Yes. So Zuffa would have lost money on</p> <p>17 its investments that it made in the past. It</p> <p>18 wouldn't have -- it would not have gotten the</p> <p>19 returns on its investments.</p> <p>20 Q. So, in your view, at least in the short</p> <p>21 run, eliminating the challenged contractual</p> <p>22 provisions will enhance the mobility of the</p> <p>23 fighters; is that fair?</p> <p>24 A. I don't know if you would call it enhance</p> <p>25 the mobility. More of them will move because</p>	<p style="text-align: right;">80</p> <p>1 contracts are in effect restrictions on athlete</p> <p>2 mobility in paragraph 200, right? We worked</p> <p>3 through it.</p> <p>4 A. I don't know if I agree with your phrase.</p> <p>5 They are restrictions that protect the investments</p> <p>6 that Zuffa has made in athletes.</p> <p>7 Q. Turn to paragraph 200, please.</p> <p>8 A. Okay.</p> <p>9 Q. The second sentence or the first full</p> <p>10 sentence on page 88 says "In particular the</p> <p>11 restrictions on athlete mobility address potential</p> <p>12 market failures" --</p> <p>13 A. Okay. I'm referring to those challenged</p> <p>14 business practices. So in that sense they are</p> <p>15 restrictions on mobility that say you can't just up</p> <p>16 and leave.</p> <p>17 Q. And in your opinion, enhancing fighter</p> <p>18 mobility by removing restrictions from the</p> <p>19 contract -- that the contracts create in the short</p> <p>20 run at least would in your view facilitate rival</p> <p>21 entry; is that right?</p> <p>22 A. It might facilitate rival entry depending</p> <p>23 on fixed costs and things like that and what they</p> <p>24 foresee about this market because they</p> <p>25 can't -- well, it does get complicated. Forgive</p>
<p style="text-align: right;">79</p> <p>1 there's more subject to outside bidding. This is</p> <p>2 kind of like expropriating a -- you know, declaring</p> <p>3 a patent suddenly invalid and then anybody can make</p> <p>4 that formula, whereas they couldn't before. That</p> <p>5 helps for a little while, but nobody's going to</p> <p>6 invest in the research and development again.</p> <p>7 Q. So the athletes here are like a patent and</p> <p>8 with respect to a patent, say a pharmaceutical</p> <p>9 patent, once the patent expires or ends, the price</p> <p>10 tends to drop dramatically, correct?</p> <p>11 MR. ISAACSON: Objection to form.</p> <p>12 BY THE WITNESS:</p> <p>13 A. The generics -- now we're into patents.</p> <p>14 The generics tend to sell for less than the</p> <p>15 previous price of the brand name. As an aside,</p> <p>16 whether the brand name drug actually sells for a</p> <p>17 lower price is another more complicated question.</p> <p>18 Q. Bill and I have been through that together</p> <p>19 a long, long time ago.</p> <p>20 A. Okay.</p> <p>21 Q. All right. I'm going to move back to</p> <p>22 Zuffa. It's fair to say that in the short</p> <p>23 run -- strike that. Well, let me -- let me ask</p> <p>24 this question again.</p> <p>25 I think you said that the challenged</p>	<p style="text-align: right;">81</p> <p>1 me. If we say that Zuffa can't use these and other</p> <p>2 people can, then rival entry will occur.</p> <p>3 Q. So there are two options, either Zuffa</p> <p>4 would pay its fighters more or the rivals will come</p> <p>5 in and expropriate the value that Zuffa has created</p> <p>6 by investing in its fighters; is that fair?</p> <p>7 A. No. You're -- you're -- I said a little</p> <p>8 while ago that when you get rid of these</p> <p>9 restrictions Zuffa's not going to be able to invest</p> <p>10 in fighters and the interest in fights and things</p> <p>11 like that the way they did before because they</p> <p>12 can't capture their returns. So the -- the</p> <p>13 question I offer -- I just asked is what are you</p> <p>14 assuming about the entry. Do they come in under</p> <p>15 the same rules as Zuffa?</p> <p>16 Q. Oh, I see.</p> <p>17 A. Okay. Or are they allowed to do things</p> <p>18 that Zuffa did from the beginning and now we turn</p> <p>19 around and say Zuffa, you can't do that anymore but</p> <p>20 everybody else can and that's -- that's my</p> <p>21 question.</p> <p>22 Q. Okay. In paragraph 68 -- and I believe</p> <p>23 you referred to that in your answer earlier -- you</p> <p>24 say in the sentence beginning with "Suppose"; do</p> <p>25 you see that? I'd like you to look at that. It's</p>

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<p style="text-align: right;">82</p> <p>1 the third sentence of paragraph 68; do you see 2 that? 3 A. I'm not there yet. 4 Q. "Suppose" is on the right-hand margin. 5 A. Oh, here we are. Okay. Second 6 sentence. 7 Q. Yeah. 8 A. Third sentence. 9 Q. Third sentence. It says "Suppose Zuffa's 10 contract provisions are found to be 11 anticompetitive, then a potential competitor could 12 recruit and contract with the existing stock of 13 developed Zuffa athletes enjoying the fruits of 14 Zuffa's past investments in developing those 15 athletes. This would create a transfer of wealth 16 to the stock of existing Zuffa athletes." Do you 17 see that? 18 A. Yes. That's what I said a few minutes 19 ago. 20 Q. You did. And I just want to understand 21 what you mean here. What you're talking about when 22 you talk about a transfer of wealth is from Zuffa 23 to its fighters; is that fair? 24 A. Zuffa would be worse off by having lost 25 the returns on its investments.</p>	<p style="text-align: right;">84</p> <p>1 willing to pay -- I can leave immediately because 2 we've assumed away these contractual restrictions 3 and somebody's bid the value of what Zuffa created 4 for my services, at least the value of what Zuffa 5 has created to that firm for my services. So to 6 the extent that I go I will be paid more ex post 7 than I would have been paid, and so that is a 8 transfer of wealth from one party to another. 9 You've expropriated the investments that Zuffa 10 made. 11 Q. It's a transfer of wealth, in your view, 12 from Zuffa to the fighters because in this instance 13 Zuffa would either have to pay the fighters more or 14 someone else would pay the fighters more, right? 15 MR. ISAACSON: Objection to form. 16 BY THE WITNESS: 17 A. I think I see where you're going with it 18 and yes. 19 Q. So at least in the short run enhancing 20 fighter mobility by removing the challenged 21 contracts would lead to higher UFC fighter 22 compensation, right? 23 A. For people who have already been invested 24 in, but Zuffa's not going to invest again. 25 Q. So for the existing stock of Zuffa</p>
<p style="text-align: right;">83</p> <p>1 Q. And what you mean by "lost the returns on 2 its investments" is that in this situation, at 3 least in the short run, Zuffa would pay its 4 fighters more, correct? 5 A. Well, I don't necessarily mean that at 6 all. I mean that those athletes would go -- we've 7 defined this now as a reduction in mobility costs. 8 Some of these guys go somewhere else because 9 somebody else pays for the productivity that Zuffa 10 produced with its investments. It's the plumbers 11 problem again. And, you know, whether Zuffa stays 12 in business after this I don't even know because 13 the premise of much of this is that these 14 competitors -- I think we had it in this 15 paragraph -- these competitors get to use rules 16 that are now prohibited for Zuffa. So Zuffa's 17 definitely at a competitive disadvantage in that 18 world. 19 Q. Okay. But I just want to understand what 20 you mean by transfer of wealth. Presumably the 21 Zuffa fighters who now are free of the contractual 22 restrictions would move if they could get paid 23 more, right, and that's what you mean by the 24 transfer -- 25 A. Move -- the -- the amount that someone is</p>	<p style="text-align: right;">85</p> <p>1 athletes eliminating the challenged contracts, at 2 least in the short run, would enhance fighter 3 mobility and lead to higher fighter compensation, 4 correct? 5 A. It could do that. 6 MR. ISAACSON: Objection to form. 7 BY THE WITNESS: 8 A. As I said, it depends on what we're 9 assuming about what other firms can do. I mean, if 10 we had a world where nobody could do this, then the 11 other firms probably aren't going to want to hire 12 them either because in equilibrium this business 13 model's not going to work. 14 Q. But the transfer of wealth occurs -- 15 presumably the transfer of wealth only occurs if 16 someone is willing to pay the fighters more, 17 correct? 18 A. You have to have some market structure in 19 place where someone is willing to pay more, but if 20 the more is just a -- a -- the more relies on the 21 fact that, hey, we get to hire these guys that we 22 didn't have to invest in, great, and then we can 23 write multi-contract -- multi-fight contracts with 24 them and everything else. So it could be Bellator, 25 terrific, they invested and we get to get him.</p>

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<p style="text-align: right;">86</p> <p>1 Q. Is it fair to say in the short run if we 2 eliminate the challenged contractual provisions, 3 one immediate effect is that fighters get paid 4 closer to the amount of event revenues that they 5 generate for the promotion; is that fair? 6 MR. ISAACSON: Objection to form. 7 BY THE WITNESS: 8 A. They'll get paid more than they would have 9 because they're getting some of the returns on the 10 investment that were previously shared with -- with 11 the investing firm. 12 Q. So in your view, the challenged 13 contractual provisions are what is allowing Zuffa 14 to pay the fighters below the marginal revenue 15 product of those fighters, correct? 16 MR. ISAACSON: Objection to form. 17 BY THE WITNESS: 18 A. No. I mean, it's -- in the long run -- 19 when you think about investments you have to think 20 about the costs and the returns. So anybody who's 21 making investments in -- any firm that's paying for 22 some of the investments in human capital has to 23 get, you know, at least a competitive return on 24 those investments. So it's not a one-period thing. 25 It's a multi-period thing. There's a kind of</p>	<p style="text-align: right;">88</p> <p>1 A. They're getting a return. So their 2 marginal revenue product over the -- I can't answer 3 this outside of the context of two periods because 4 I have to take the costs into account. Now, if 5 what you're trying to say -- let me just phrase it 6 so we're on the same page. Come back to my example 7 of the plumbers. For the marginal plumber in two 8 periods the return -- the investment cost is going 9 to be equal to -- what I pay has to be compensated 10 by a wedge between what his productivity would be 11 somewhere else and what I have to pay him in the 12 second period. Okay. So I might have some 13 restriction on whether he can leave right away and 14 all that. And now you tell me that restriction's 15 gone. So, yeah, somebody else will pay up to what 16 that guy's worth in the second period, but that 17 doesn't mean his marginal revenue product doesn't 18 take into account what I paid for him in the first 19 period, but -- but that's in the past now and it's 20 gone and we let him go, he's gone. I'll never make 21 that investment again, but he's gone and he'll get 22 paid more, and that's the sense in which there's a 23 transfer of wealth relative to the outcome that we 24 had when we had a contract that protected the 25 investments.</p>
<p style="text-align: right;">87</p> <p>1 before and -- period 1 and period 2 and the firm 2 invests and it gets the returns. So even under 3 competition if you turned around to firms and said, 4 look, you don't get the returns, that would be a 5 transfer of wealth to -- in the second period to 6 the people who are invested in in the first period. 7 So getting more of your marginal revenue product 8 you're thinking about it like at a single point in 9 time whereas the relevant thing is it's dynamic. 10 It's -- it's how many periods are you going to be 11 here and what I do -- what I do with you when 12 you're young and a novice and unknown and how do I 13 get the returns on what I just did for you to make 14 you more productive. 15 Q. Okay. I understand you're making a 16 dynamic long-run argument. I'm just trying to 17 understand how it works in the short run for the 18 existing stock of Zuffa athletes. And for the 19 existing stock of Zuffa athletes in the short run 20 what is allowing Zuffa to pay fighters below their 21 marginal revenue product are the challenged 22 contractual restrictions, correct? 23 MR. ISAACSON: Objection to form, asked 24 and answered. 25 BY THE WITNESS:</p>	<p style="text-align: right;">89</p> <p>1 Q. Turn to paragraph 113, please. 2 MR. CRAMER: Do you need a break? 3 THE REPORTER: After this. 4 MR. CRAMER: We'll take a break after 5 this. 6 BY MR. CRAMER: 7 Q. Towards the end of that paragraph, 8 paragraph 113, you have a sentence that begins "As 9 explained above, if athletes"; do you see that? 10 A. Yes. 11 Q. This says "As explained above, if athletes 12 can freely switch to competing promoters that pay 13 'competitive compensation' given the athlete's 14 human capital, human capital that was largely 15 developed by an initial promoter, then there is 16 little incentive for the initial promoter to make 17 the investments that contribute to that human 18 capital in the first place"; do you see that? 19 A. Yes. 20 Q. So here you're positing a world without 21 the challenged contracts, right? In other words, 22 if athletes can freely switch; is that right? 23 A. I think that's a fair statement, yeah. 24 Q. And in this world you are opining 25 that -- strike that.</p>

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<p style="text-align: right;">162</p> <p>1 agree with me that you did not quantify I believe</p> <p>2 because you said it was impossible the amount of</p> <p>3 revenues that would have been lost, MMA revenues</p> <p>4 that would have been lost in any but-for world?</p> <p>5 MR. ISAACSON: Objection to form.</p> <p>6 BY MR. CRAMER:</p> <p>7 Q. Is that fair?</p> <p>8 MR. ISAACSON: Argumentative.</p> <p>9 BY THE WITNESS:</p> <p>10 A. As I said, first of all, you prefaced your</p> <p>11 question by saying I didn't understand the but-for</p> <p>12 world. That's not what I said. I said you didn't</p> <p>13 specify and neither did Dr. Singer any but-for</p> <p>14 world, anything that would -- could be used as a</p> <p>15 guide. So all I can tell you is that in -- if the</p> <p>16 contract restrictions were abolished there would be</p> <p>17 less investment by promoters in promoting MMA, in</p> <p>18 promoting the personas of athletes, in finding the</p> <p>19 right matches and all those other things that are</p> <p>20 costly activities, and that's why the contract</p> <p>21 restrictions are what they are.</p> <p>22 Q. Where in your report do you quantify that</p> <p>23 amount of lower investment?</p> <p>24 A. Forgive me. We've been over this.</p> <p>25 Q. I didn't get an answer. Tell me where.</p>	<p style="text-align: right;">164</p> <p>1 but-for world is.</p> <p>2 Q. And you didn't compute the amount of</p> <p>3 alleged lost compensation as a result of lost</p> <p>4 revenues that there would have been in the but-for</p> <p>5 world or any but-for world, correct?</p> <p>6 A. What we've looked for is evidence that</p> <p>7 compensation was affected by the things that you</p> <p>8 and your experts have specified as having an impact</p> <p>9 and there's no impact. So the -- the alleged</p> <p>10 amount of foreclosure as punitively measured by</p> <p>11 Dr. Singer's foreclosure measure, there's no</p> <p>12 evidence that it's affected compensation, and in</p> <p>13 the period where that foreclosure allegedly rose</p> <p>14 the earnings of Zuffa fighters increased</p> <p>15 materially, significantly, dramatically. So</p> <p>16 there's no evidence here that they were impacted.</p> <p>17 Q. I think you misunderstood my question. I</p> <p>18 believe you've argued that in the but-for world or</p> <p>19 any but-for world absent the challenged conduct MMA</p> <p>20 revenues would be lower, correct?</p> <p>21 A. Any is a hard thing. I mean, I don't know</p> <p>22 what but for -- what contracts these guys would</p> <p>23 come up when you say you can't use these contracts,</p> <p>24 but these are the contracts they chose. So...</p> <p>25 MR. ISAACSON: And I'll object to the</p>
<p style="text-align: right;">163</p> <p>1 Show me which paragraph.</p> <p>2 A. There's paragraphs in here that say they</p> <p>3 wouldn't invest. That's -- I don't have to</p> <p>4 quantify because you're going -- you're pulling</p> <p>5 away -- are you going to pull away one contract</p> <p>6 restriction, two, three, four, all of them, and for</p> <p>7 whom? You never -- you've never specified what the</p> <p>8 but-for world would be. So there's no way anybody</p> <p>9 could put a number on 75 but-for worlds, and I have</p> <p>10 no idea which one you -- what the -- what you think</p> <p>11 the market's going to look like.</p> <p>12 Q. So it's fair to say that in your report</p> <p>13 you did not specify any particular but-for world,</p> <p>14 right?</p> <p>15 A. I couldn't. That's -- that's not my</p> <p>16 job.</p> <p>17 Q. And therefore you didn't compute the</p> <p>18 amount of lost revenues in any particular but-for</p> <p>19 world, correct?</p> <p>20 A. All I can tell you is that the revenues</p> <p>21 would be -- produced by the promoters would be</p> <p>22 lower.</p> <p>23 Q. But you didn't compute the amount by which</p> <p>24 they would be lower, correct?</p> <p>25 A. I can't because I don't know what the</p>	<p style="text-align: right;">165</p> <p>1 question as compound.</p> <p>2 BY MR. CRAMER:</p> <p>3 Q. Okay.</p> <p>4 A. These are the contracts they chose.</p> <p>5 Q. I'll move on.</p> <p>6 A. They would invest less.</p> <p>7 Q. Turn to paragraph 92. In the last</p> <p>8 sentence of paragraph 92 on page 40 you say "The</p> <p>9 reduction in transaction costs achieved by</p> <p>10 internalizing decisions about upcoming matches" --</p> <p>11 A. Wait a minute. Hold -- hold on. You're</p> <p>12 on paragraph 92?</p> <p>13 Q. Paragraph 92, page 40, the last --</p> <p>14 A. Oh, okay. Okay. I'm sorry. I'm on 30 --</p> <p>15 it begins on 39.</p> <p>16 Q. The last sentence reads "In addition the</p> <p>17 reduction in transaction costs achieved by</p> <p>18 internalizing decisions about upcoming matches</p> <p>19 increases the number of matches thereby expanding</p> <p>20 output to the benefit of consumers and athletes";</p> <p>21 do you see that?</p> <p>22 A. Yes.</p> <p>23 Q. It's fair to say that you did not quantify</p> <p>24 the additional output that you believe is generated</p> <p>25 by the reduced transaction costs, correct?</p>

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<p style="text-align: right;">166</p> <p>1 A. No. I'm making a -- a statement about 2 implications of economic analysis. 3 Q. And you did not -- it's fair to say -- am 4 I correct that you did not quantify the amount of 5 reduced output that -- strike that. 6 You say "Thereby expanding output to the 7 benefit of consumers and athletes." It's fair to 8 say that you did not quantify the amount of 9 additional output to the benefit and consumers -- 10 of consumers and athletes that you believe 11 occurred, correct? 12 MR. ISAACSON: Objection to form. 13 BY THE WITNESS: 14 A. Are you asking me -- let me read the 15 entire context of my paragraph here. 16 (Witness reviewing document.) 17 BY THE WITNESS: 18 A. Yes. Ask your question again, please. 19 Q. Did you quantify the amount of expanded 20 output that you referred to in the last sentence of 21 paragraph 92? 22 A. Relative to some world without those -- 23 economic theory tells us -- economic analysis tells 24 us that in the presence of these transaction costs 25 the ability to internalize these things, organize</p>	<p style="text-align: right;">168</p> <p>1 relevant to some benchmark that was never stated. 2 Q. So you didn't, correct? You did not 3 quantify it, correct? 4 MR. ISAACSON: Objection, asked and just 5 answered. 6 BY THE WITNESS: 7 A. That's what I just said. 8 MR. CRAMER: Let's take a -- let's take a 9 break. 10 THE VIDEOGRAPHER: Going off the record at 11 2:38. 12 (A short break was had.) 13 THE VIDEOGRAPHER: We are going back on 14 the record at 2:55. This begins disk No. 5. 15 BY MR. CRAMER: 16 Q. Please turn to paragraph 171 of your 17 report on page 75. 18 A. Yes. 19 Q. There you specified a regression that you 20 say in the first sentence of paragraph 171 can 21 "Measure changes in compensation separately for 22 athletes with different rankings"; do you see 23 that? 24 A. Yes. 25 Q. And you find with this regression that</p>
<p style="text-align: right;">167</p> <p>1 matches, promote identities and so on, increases 2 the amount of output of the property measured. So 3 it benefits consumers and -- and the athletes. 4 So -- and that's what I say here. Do I have to 5 quantify a number? Again, relative to what? All I 6 know from you is less. All I know from Dr. Singer 7 is less of what we object to, and even in the -- at 8 the level of saying 30 percent rather than some 9 other number he never tells us what less means. So 10 even if such a calculation were achievable, there's 11 been no specification of what the but-for world 12 would look like other than less. 13 Q. Did you quantify the amount of expanded 14 output that you referred to in the last sentence of 15 paragraph 92? Yes or no. Did you quantify it? 16 MR. ISAACSON: Don't raise your voice, 17 Eric. 18 BY THE WITNESS: 19 A. Absent a benchmark of saying what it would 20 be in the absence all I can tell you is that it's 21 lower and the contracts themselves as used by other 22 people are indicative of the procompetitive 23 benefits and this is what economic analysis offers. 24 As to your specific question, since there's no 25 benchmark offered I cannot have offered a number</p>	<p style="text-align: right;">169</p> <p>1 between 2011 and 2016 Zuffa increased inflation- 2 adjusted compensation to fighters in all of your 3 ranking categories, correct? 4 A. Well, in each of the categories we 5 considered it, yes. 6 Q. And you report those results in 7 Exhibit 17; is that right? 8 A. Yes. 9 Q. So in your opinion the compensation of 10 Zuffa's fighters in every ranking category that you 11 testified moved together from 2011 through 2016, 12 correct? 13 MR. ISAACSON: Objection to form. 14 BY THE WITNESS: 15 A. I don't think I said they moved together. 16 They just went up. 17 Q. Well, they all moved up, correct? 18 A. Yes. 19 Q. What in your opinion was -- why in your 20 opinion was Zuffa fighter compensation in all 21 ranking categories moving up during this time? 22 A. Well, there's an increase in interest and 23 demand for the services of MMA fighters generally, 24 much of which was due to the efforts of Zuffa and 25 perhaps other promoters as well in advancing the</p>

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<p style="text-align: right;">170</p> <p>1 sport.</p> <p>2 Q. And it's fair to say that you would expect</p> <p>3 that if demand for MMA fighters rises generally,</p> <p>4 the compensation of MMA fighters in every ranking</p> <p>5 category would generally rise as well, correct?</p> <p>6 MR. ISAACSON: Objection to form.</p> <p>7 BY THE WITNESS:</p> <p>8 A. Supply slopes up.</p> <p>9 Q. Is the answer yes?</p> <p>10 A. The answer is if supply slopes up. I</p> <p>11 think you're asking me an analytical question, and</p> <p>12 I gave you an analytical answer. So it did -- it</p> <p>13 did -- compensation increased. That's consistent</p> <p>14 with a general increase in demand along with upward</p> <p>15 sloping supply of people with different</p> <p>16 attributes.</p> <p>17 Q. And so this general increase in demand for</p> <p>18 MMA fighters, in your opinion, caused the</p> <p>19 compensation of UFC fighters in every ranking</p> <p>20 category to go up from 2011 to 2016; is that right?</p> <p>21 A. Well, all this shows is that it went up.</p> <p>22 There's nothing in the table that says it was an</p> <p>23 increase in demand. I mean, that's certainly</p> <p>24 consistent with the way Zuffa's activities affected</p> <p>25 the market, but there's nothing on the table that</p>	<p style="text-align: right;">172</p> <p>1 A. If the demand reduction applies across the</p> <p>2 board for all categories, you could -- I could also</p> <p>3 imagine a demand shift that was -- that was</p> <p>4 specific to particular categories. So if people</p> <p>5 become less interested in some category and more</p> <p>6 interested in another, that would be a relative</p> <p>7 demand shift.</p> <p>8 Q. Here the demand shift that appears to be</p> <p>9 at play is a general demand shift given that we saw</p> <p>10 between 2011 and 2016 that the inflation-adjusted</p> <p>11 compensation to fighters increased in all of your</p> <p>12 rank and categories, correct?</p> <p>13 A. The evidence is consistent with that.</p> <p>14 Q. Turn to paragraph 262 of your report. The</p> <p>15 first sentence states "Dr. Stinger" -- excuse me.</p> <p>16 Dr. Stinger. He won't like me for that.</p> <p>17 [REDACTED]</p>
<p style="text-align: right;">171</p> <p>1 says, oh, this was demand unless you take the</p> <p>2 usually way of often thinking about these things.</p> <p>3 If price went up then -- and quantities were rising</p> <p>4 too, then it must be shifts in the demand curve.</p> <p>5 Q. Why is it that the shift in demand curve</p> <p>6 for MMA fighters caused the compensation of MMA</p> <p>7 athletes in all ranking categories to move up</p> <p>8 during this period?</p> <p>9 A. First of all, it's not something that we</p> <p>10 express an opinion about with regard to this table,</p> <p>11 I don't recall.</p> <p>12 Q. I'm asking.</p> <p>13 A. What could do it?</p> <p>14 Q. Yeah.</p> <p>15 A. That there's general --</p> <p>16 MR. ISAACSON: Objection to form.</p> <p>17 BY THE WITNESS:</p> <p>18 A. There's a general increase in the demand</p> <p>19 for MMA events and there's rising supply price of</p> <p>20 people across the talent spectrum.</p> <p>21 Q. If -- is it also fair to say that it's</p> <p>22 fair to expect that if there's a general decrease</p> <p>23 in demand for MMA fighters you would expect the</p> <p>24 compensation of MMA fighters in every rank and</p> <p>25 category to fall?</p>	<p style="text-align: right;">173</p> <p>1 [REDACTED]</p> <p>2 [REDACTED]</p> <p>3 [REDACTED]</p> <p>4 [REDACTED]</p> <p>5 [REDACTED]</p> <p>6 [REDACTED]</p> <p>7 [REDACTED]</p> <p>8 [REDACTED]</p> <p>9 [REDACTED]</p> <p>10 [REDACTED]</p> <p>11 [REDACTED]</p> <p>12 [REDACTED]</p> <p>13 [REDACTED]</p> <p>14 [REDACTED]</p> <p>15 [REDACTED]</p> <p>16 [REDACTED]</p> <p>17 [REDACTED]</p> <p>18 [REDACTED]</p> <p>19 [REDACTED]</p> <p>20 [REDACTED]</p> <p>21 [REDACTED]</p> <p>22 [REDACTED]</p> <p>23 [REDACTED]</p> <p>24 [REDACTED]</p> <p>25 Q. You would agree that Zuffa had a minimum</p>

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<p style="text-align: right;">174</p> <p>1 pay per bout, correct?</p> <p>2 A. I can't recall if it was a minimum pay per</p> <p>3 bout. People's contracts had a pay per bout.</p> <p>4 Q. Well, you referenced a document in which</p> <p>5 Zuffa discussed its minimum bout compensation,</p> <p>6 right? You discuss it in this paragraph,</p> <p>7 correct?</p> <p>8 A. That's my recollection. In other words,</p> <p>9 the minimum pay document, okay, if that's what</p> <p>10 you're talking about, yes.</p> <p>11 [REDACTED]</p> <p>12 [REDACTED]</p> <p>13 [REDACTED]</p> <p>14 [REDACTED]</p> <p>15 [REDACTED]</p> <p>16 [REDACTED]</p> <p>17 [REDACTED]</p> <p>18 [REDACTED]</p> <p>19 [REDACTED]</p> <p>20 [REDACTED]</p> <p>21 [REDACTED]</p> <p>22 [REDACTED]</p> <p>23 [REDACTED]</p> <p>24 [REDACTED]</p> <p>25 [REDACTED]</p>	<p style="text-align: right;">176</p> <p>1 term, but so that we're on the same page it would</p> <p>2 be good if you define what you mean and then I'll</p> <p>3 tell you whether I'm familiar with it and can talk</p> <p>4 about it.</p> <p>5 Q. Well, you're aware that Dr. Singer in his</p> <p>6 report discusses the concept of internal equity as</p> <p>7 it relates to this case?</p> <p>8 A. I recall something about that.</p> <p>9 Q. It's fair to say that you do not in your</p> <p>10 report discuss internal equity, correct?</p> <p>11 A. I don't believe I discuss internal</p> <p>12 equity.</p> <p>13 Q. Turn to paragraph 266. You provide</p> <p>14 another example in this paragraph, I believe. I</p> <p>15 have the citation wrong. Give me a moment. Oh,</p> <p>16 yeah. On page 116, paragraph 266, the last</p> <p>17 sentence. You say "The fact that my pay as an</p> <p>18 economist tends to move with the average pay of</p> <p>19 other economists does not imply the existence of a</p> <p>20 'pricing structure' that determines the pay of</p> <p>21 economists"; do you see that?</p> <p>22 A. Yes.</p> <p>23 Q. What do you mean by "pricing structure"</p> <p>24 here?</p> <p>25 A. Well, Dr. Singer seems to be referring to</p>
<p style="text-align: right;">175</p> <p>1 [REDACTED]</p> <p>2 [REDACTED]</p> <p>3 Q. Okay. Well, why was, then, raising the</p> <p>4 minimum pay projected to effect the pay even of</p> <p>5 those fighters who were being paid above the</p> <p>6 minimum?</p> <p>7 A. Because you're using a pay scale for</p> <p>8 people of different talents and different levels of</p> <p>9 effort. So taken individual -- we'll do it within</p> <p>10 a fight. I guess we can think of it this way. If</p> <p>11 I raise the minimum show, I have to raise the</p> <p>12 minimum win to maintain incentives.</p> <p>13 [REDACTED]</p> <p>14 [REDACTED]</p> <p>15 [REDACTED]</p> <p>16 [REDACTED]</p> <p>17 [REDACTED]</p> <p>18 [REDACTED]</p> <p>19 [REDACTED]</p> <p>20 [REDACTED]</p> <p>21 [REDACTED]</p> <p>22 [REDACTED]</p> <p>23 Q. Are you familiar with the concept of</p> <p>24 internal equity?</p> <p>25 A. Well, it's -- I've probably heard the</p>	<p style="text-align: right;">177</p> <p>1 a -- almost a schedule, a formulaic way of</p> <p>2 determining the pay of people, and within the</p> <p>3 market for economists there is no formulaic</p> <p>4 structure, there is no spreadsheet in which we put</p> <p>5 people and get a number that we're going to pay</p> <p>6 them. There's a market and that's what I mean.</p> <p>7 There's a pricing structure in the sense that it's</p> <p>8 used in this case doesn't exist in the market for</p> <p>9 economists, but if you regressed my pay -- if you</p> <p>10 regressed individual economist's pay on the average</p> <p>11 of economists you'd get an effect.</p> <p>12 Q. And that effect, as you would expect, that</p> <p>13 an individual's economist pay would be related to</p> <p>14 the pay of the average economist, correct?</p> <p>15 A. Yes, even though there was no coordinated</p> <p>16 plan. It's like if I ran a taco stand in Chicago</p> <p>17 and prices of tacos varied over time, my taco</p> <p>18 prices went up when the other guy's taco prices</p> <p>19 went up. So what they charged would probably be a</p> <p>20 pretty good predictor of what we charge on my taco</p> <p>21 stand. That doesn't -- there's no structure, no</p> <p>22 central planner of taco prices. That's the way</p> <p>23 markets work.</p> <p>24 Q. And let's talk about your economist</p> <p>25 example. Is the reason why the compensation of an</p>

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<p style="text-align: right;">178</p> <p>1 individual economist -- economist would be related 2 to the compensation of average economists that 3 there are similar factors that are at work in the 4 compensation of economists in a market generally? 5 MR. ISAACSON: Objection to form. 6 BY THE WITNESS: 7 A. There are common market forces. 8 Q. So -- so that -- so the reason why an 9 individual economist's compensation would tend to 10 move with the average compensation of economists is 11 that there are common market forces that are 12 affecting the compensation of all economists in 13 this market; is that fair? 14 A. You know, I don't know if it's affecting 15 the compensation of all, but the general answer to 16 your question is yeah. 17 Q. Let's talk about -- 18 A. Yes, to be more proper about whole 19 thing. 20 Q. Thank you. 21 Let's talk about your economist example. 22 Let's assume you mean testimonial or consulting 23 economists. 24 A. It's a smaller market. 25 Q. It is. You agree that your pay as a</p>	<p style="text-align: right;">180</p> <p>1 economist would fall, all things equal? 2 A. Well, it would fall to zero under that 3 rule and I can assure you that we would all invest 4 less in the skills of becoming consulting 5 economists. 6 Q. Well, you could still testify in other 7 kinds of cases, correct? 8 A. Yes, but we would invest less. 9 Q. And you would expect that if the demand 10 for consulting economists falls, the average 11 compensation of testimonial economists would also 12 fall, correct? 13 A. Assuming the supply of people with the 14 talents to do the sorts of things that consulting 15 economists do, the answer is yes. 16 Q. And you would expect that your 17 compensation would fall along with the average, 18 correct? 19 A. Unless there's something about the 20 change -- this goes back to what you did with 21 Exhibit 17. Unless there's something that caused a 22 relative demand shift towards, I don't know, people 23 who teach at the University of Chicago, okay? And 24 I just want to be clear that there's always -- you 25 know, there's all kinds of variation.</p>
<p style="text-align: right;">179</p> <p>1 consulting economist tends to move generally with 2 the average pay of all consulting economists, 3 right? 4 A. Well, never having studied the general 5 pay, I can give you an economics answer -- 6 Q. What's the economics -- 7 A. -- which is kind of like the previous 8 answers to my question. Economic principles 9 telling me that that should be true. 10 Q. And thus even though different testimonial 11 economists charge different rates based on various 12 factors like experience and credentials, the pay of 13 consulting economists tends to move together, 14 right? 15 MR. ISAACSON: Objection to form. 16 BY THE WITNESS: 17 A. I believe that would be true. 18 Q. And that's because there are certain 19 common factors influencing the demand for 20 testimonial economist services, correct? 21 A. Or the supply. 22 Q. Or the supply. Would you agree, for 23 example, that if Congress passed a rule providing 24 that parties could no longer retain economists in 25 antitrust litigation the demand for a consulting</p>	<p style="text-align: right;">181</p> <p>1 Q. Right. But unless you knew about some 2 variation directed at you that wasn't directed to 3 economists generally, you would expect that your 4 compensation as a testimonial economist would fall 5 with the average compensation of testimonial 6 economists, correct? 7 MR. ISAACSON: Objection to form. 8 BY THE WITNESS: 9 A. Yes. 10 Q. Turn to paragraph 267, please. 11 A. Okay. 12 Q. In the second sentence you say "There are 13 many reasons why the compensation of athletes would 14 be correlated that are unrelated to a compensation 15 structure, just as the earnings of any other 16 individuals working in the same profession or for 17 the same employer are likely correlated"; do you 18 see that? 19 A. Yes. 20 Q. What do you mean by "compensation 21 structure" here? 22 A. My understanding is that Dr. Singer was -- 23 was referring to a compensation structure, 24 something formulaic within Zuffa, so that 25 compensation was not determined individually based</p>

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<p style="text-align: right;">182</p> <p>1 on the attributes of individuals, but rather was 2 determined by a compensation structure that said if 3 you're -- if this is your second fight you're going 4 to get paid that and everybody's going to get paid 5 that for their second fight and so on. 6 Q. In other words, it's your understanding 7 that what Dr. Singer means by "compensation 8 structure" is that there's essentially a pay 9 schedule that applies to every fighter regardless 10 of individual circumstance? 11 A. No. I didn't say regardless. Even he 12 would have to acknowledge that individual 13 attributes affect what gets negotiated. 14 Q. But something close to it. So, for 15 example, what you think he's saying is that there's 16 a structure that says for fighters with this level 17 of experience and this record the pay is some set 18 level based on some kind of pay matrix? 19 A. What was the question? 20 Q. I'll withdraw it. 21 Why would you expect that the earnings of 22 individuals working in the same profession or for 23 the same employer to be correlated? 24 A. Well, for the same -- for the same 25 profession, it's back to my taco example that the</p>	<p style="text-align: right;">184</p> <p>1 BY THE WITNESS: 2 A. I mean, it's correlated, yes. I mean, 3 [REDACTED] 4 [REDACTED] 5 [REDACTED] 6 [REDACTED] 7 [REDACTED] 8 [REDACTED] 9 [REDACTED] 10 [REDACTED] 11 [REDACTED] 12 [REDACTED] 13 [REDACTED] 14 [REDACTED] 15 [REDACTED] 16 [REDACTED] 17 [REDACTED] 18 [REDACTED] 19 [REDACTED] 20 [REDACTED] 21 [REDACTED] 22 [REDACTED] 23 [REDACTED] 24 [REDACTED] 25 [REDACTED]</p>
<p style="text-align: right;">183</p> <p>1 market conditions affecting taco stands are common. 2 So changes in the prices of corn to produce the 3 tortillas and changes in the price of avocados 4 affect all the taco stands. 5 Q. Turn to paragraph 266, please. You're 6 talking in paragraph 266 about one of the 7 regressions that Dr. Singer runs, correct? 8 A. Are you talking about the second -- well, 9 he runs a regression of Zuffa athletes annual 10 average compensation. Okay? 11 Q. Right. And you point out that -- excuse 12 me one moment. 13 All right. At the -- towards the end of 14 page 115, paragraph 266 there's a sentence that 15 [REDACTED] 16 [REDACTED] 17 [REDACTED] 18 [REDACTED] 19 [REDACTED] 20 [REDACTED] 21 [REDACTED] 22 [REDACTED] 23 [REDACTED] 24 [REDACTED] 25 [REDACTED]</p>	<p style="text-align: right;">185</p> <p>1 [REDACTED] 2 [REDACTED] 3 [REDACTED] 4 [REDACTED] 5 [REDACTED] 6 [REDACTED] 7 [REDACTED] 8 [REDACTED] 9 [REDACTED] 10 [REDACTED] 11 [REDACTED] 12 [REDACTED] 13 [REDACTED] 14 [REDACTED] 15 [REDACTED] 16 [REDACTED] 17 [REDACTED] 18 [REDACTED] 19 [REDACTED] 20 [REDACTED] 21 [REDACTED] 22 [REDACTED] 23 [REDACTED] 24 [REDACTED] 25 [REDACTED]</p>

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<p>186</p> <p>1 [REDACTED]</p> <p>2 [REDACTED]</p> <p>3 [REDACTED]</p> <p>4 [REDACTED]</p> <p>5 [REDACTED]</p> <p>6 [REDACTED]</p> <p>7 [REDACTED]</p> <p>8 [REDACTED]</p> <p>9 [REDACTED]</p> <p>10 [REDACTED]</p> <p>11 [REDACTED]</p> <p>12 [REDACTED]</p> <p>13 [REDACTED]</p> <p>14 [REDACTED]</p> <p>15 [REDACTED]</p> <p>16 [REDACTED]</p> <p>17 [REDACTED]</p> <p>18 [REDACTED]</p> <p>19 [REDACTED]</p> <p>20 [REDACTED]</p> <p>21 [REDACTED]</p> <p>22 [REDACTED]</p> <p>23 [REDACTED]</p> <p>24 [REDACTED]</p> <p>25 [REDACTED]</p>	<p>188</p> <p>1 that?</p> <p>2 A. Yes.</p> <p>3 Q. What similarities are you talking about</p> <p>4 here?</p> <p>5 A. Simply that they're the high-paid</p> <p>6 athletes.</p> <p>7 Q. Those are the only ones?</p> <p>8 A. No. I'm just saying that these are two</p> <p>9 examples.</p> <p>10 Q. And you say that despite these --</p> <p>11 A. And well-known athletes too. Even I know</p> <p>12 who they are.</p> <p>13 MR. ISAACSON: You're not letting him</p> <p>14 finish. So you're talking over him.</p> <p>15 MR. CRAMER: Fair enough. I thought he</p> <p>16 was finished.</p> <p>17 BY MR. CRAMER:</p> <p>18 [REDACTED]</p> <p>19 [REDACTED]</p> <p>20 [REDACTED]</p> <p>21 [REDACTED]</p> <p>22 [REDACTED]</p> <p>23 [REDACTED]</p> <p>24 Q. Is your view that an appropriate model</p> <p>25 would find that similarly situated athletes, all</p>
<p>187</p> <p>1 [REDACTED]</p> <p>2 [REDACTED]</p> <p>3 [REDACTED]</p> <p>4 [REDACTED]</p> <p>5 [REDACTED]</p> <p>6 [REDACTED]</p> <p>7 [REDACTED]</p> <p>8 [REDACTED]</p> <p>9 [REDACTED]</p> <p>10 [REDACTED]</p> <p>11 [REDACTED]</p> <p>12 Q. All right. Turn to paragraph 279, please.</p> <p>13 I'm sorry. Turn to paragraph 281. You say -- you</p> <p>14 have a sentence about a third of the way down in</p> <p>15 paragraph 281 that says "Despite these athletes'</p> <p>16 similarities"; do you see that?</p> <p>17 A. Yes.</p> <p>18 Q. All right. So you're referring to Conor</p> <p>19 McGregor and Ronda Rousey; is that right?</p> <p>20 A. Yeah. I don't mean to imply that they</p> <p>21 look alike or something.</p> <p>22 [REDACTED]</p> <p>23 [REDACTED]</p> <p>24 [REDACTED]</p> <p>25 [REDACTED]</p>	<p>189</p> <p>1 things equal, would be impacted by the challenged</p> <p>2 conduct to the same degree?</p> <p>3 A. No.</p> <p>4 Q. So why is it that the fact that</p> <p>5 Dr. Singer's regression provides different results</p> <p>6 for McGregor and Rousey problematic in any way?</p> <p>7 A. Well, I'm going to have -- the -- the</p> <p>8 coefficients on his model is simply that the</p> <p>9 foreclosure share is the thing that's generating</p> <p>10 the change and taking it down from whatever it is</p> <p>11 [REDACTED]</p> <p>12 [REDACTED]</p> <p>13 [REDACTED]</p> <p>14 [REDACTED]</p> <p>15 [REDACTED]</p> <p>16 [REDACTED]</p> <p>17 [REDACTED]</p> <p>18 [REDACTED]</p> <p>19 [REDACTED]</p> <p>20 [REDACTED]</p> <p>21 [REDACTED]</p> <p>22 [REDACTED]</p> <p>23 [REDACTED]</p> <p>24 [REDACTED]</p> <p>25 Q. All right. You can put that aside.</p>

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